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SUBJECT: MALAYSIA VIEWS FTA AS STILL WITHIN REACH

¶1. (SBU) Summary: MITI Minister Rafidah is putting pressure on her colleagues to make the compromises necessary for a successful conclusion of the FTA negotiations. The Cabinet is expected to meet to decide whether to continue the negotiations on February 28. MITI Secretary General Rahman has indicated that his team is ready to meet continuously during March to conclude an agreement, if the Cabinet gives the go ahead. Leading elements of the Malaysian private sector also appear eager to make a last-minute push. From the Malaysian point of view, an FTA remains within reach. End summary.

¶2. (SBU) Minister of International Trade and Industry (MITI) Rafidah Aziz briefed the Cabinet February 14 on the status of the U.S.-Malaysia FTA negotiations and what she is calling the "58 issues" that still need to be resolved. Rafidah and Deputy Prime Minister Najib (chairing the meeting in the absence of PM Abdullah) reportedly pressed ministers to find ways to move the process forward. Rafidah was optimistic following the discussion. Ministers now will consult with staff to determine what flexibilities are possible and are expected to decide whether to go ahead at their February 28 meeting (after the Chinese New Year holiday period).

¶3. (U) After staking out a tough public line during the week of FTA Round 5 (held February 5-12), Rafidah has been both more flexible and more colorful in talking to the press following the Cabinet meeting. Frequently drawing an analogy with Malaysian marriage customs, Rafidah has observed that there often are arguments about the size of the dowry, the timing of the wedding and so on. For example, when asked whether Malaysia wants the FTA more than the U.S., she responded, "It's like getting married; do you want to get married more than he does?" She also has been publicly pressing her colleagues to take responsibility for the outcome, saying: "It is not MITI's position alone, it is the position of every ministry and agency involved that constitutes Malaysia's position. So (it is very important that every ministry and agency concerned understand the full implications of the position they put forward for the Cabinet and the government to consider."

¶4. (SBU) While Rafidah has continued to fudge the timeline in public, comments from her colleagues indicate they are aware that the U.S. faces a deadline due to the expiration of Trade Promotion Authority (TPA). Plantation and Commodities Minister Peter Chin told the press following the Cabinet meeting that "we have to act soon as the talks are to be wrapped up in the next month." MITI Secretary General Abdul Rahman Mamat, Malaysia's lead negotiator, clearly understands

the situation. He has indicated privately that Rafidah believes an agreement can be concluded before the end of March and has directed her ministry to operate accordingly. He offered to meet "continuously" until March 31, if the Cabinet gives the go ahead to conclude the agreement.

¶5. (U) Federation of Malaysian Manufacturers (FMM) President Yong Poh Kon, who was clearly well informed on the internal GOM deliberations, assured the Ambassador February 16 that his organization is prepared to help the GOM sort through the issues. He reported that there had been a shift within the GOM toward a more positive assessment of the FTA's prospects following this week's cabinet discussion. FMM was ready to work with the GOM to make a final push to secure an agreement. He admitted that there remained areas, e.g., financial services and government procurement, in which the Malaysian side had yet to determine how they could go beyond statements of general principle. However, he also noted that many U.S. proposals jibed with directions already set forth in the GOM's own long-term policy guidelines, and he felt the GOM could yet come up with ways to bridge the gaps.

¶6. (SBU) Comment: Rafidah, and it now appears DPM Najib, are putting the pressure on Malaysian officials to be more flexible and forthcoming. Finding solutions to all of the sticky issues will be challenging, but Malaysians are famous for making heroic efforts at the very last minute. As one press headline put it this week, "It's not over until it's over." From the Malaysian point of view, an FTA is still within reach.

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